

Message Text

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FM SECSTATE WASHDC

TO WHITE HOUSE IMMEDIATE

C O N F I D E N T I A L STATE 016047

NODIS

FOR BRZEZINSKI ONLY

FOLLOWING REPEAT PEKING 0193 ACTION SECSTATE JAN 20.

QUOTE C O N F I D E N T I A L PEKING 0193

NODIS

DEPT PASS HONG KONG

E.9. 11652: GDS

TAGS: PFOR,EFIN, CH US

SUBJ: CLAIMS/ASSETS

REF: 77 STATE 098399

1. AMBASSADOR MET WITH A. ROBERT ABBOD, CHAIRMAN OF
THE BOARD OF THE FIRST NATIONAL BANK OF CHICAGO (FNBC),
AND MEMBERS OF HIS PARTY ON AFTERNOON OF
JANUARY 19. FNBC OFFICIALS ARE VISITING PEKING AT
THE INVITATION OF THE BANK OF CHINA. (OTHER DETAILS
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OF ABBOD'S VISIT BEING REPORTED SEPTTEL.)

2. PRIOR TO OUR MEETING ABBOD HAD JUST MET WITH
WANG YAO-TING, CHAIRMAN OF THE CHINA COUNCIL FOR THE
PROMOTION OF INTERNATIONAL TRADE (CCPIT). BANK OF
CHINA OFFICIALS ALSO ATTENDED THAT MEETING. AT THE
MEETING, WANG TOOK THE INITIATIVE TO RAISE THE CLAIMS/

ASSETS PROBLEM, SAYING THAT CHINA WAS INTERESTED IN
SETTLING THE ISSUE BUT THAT THE PROBLEM WAS "ON THE
US GOVERNMENT'S SIDE." SETTLEMENT OF THE CLAIMS/ASSETS
PROBLEM IS NOT TIED TO NORMALIZATION OF DIPLOMATIC RELATIONS.
ABBOUD SAID HE DID NOT RESPOND DIRECTLY TO WANG
BECAUSE HE DID NOT FEEL HIS BANK WAS IN A POSITION
TO DISCUSS AN ISSUE WHICH INVOLVED THE TWO
GOVERNMENTS. WANG, HOWEVER, REPEATED THE
"MESSAGE" SEVERAL TIMES. THIS REPETITION,
COUPLED WITH THE FACT THAT THE CHINESE KNEW THE
FIRST NATIONAL BANK OF CHICAGO REPRESENTATIVES
WOULD BE MEETING WITH USLO OFFICERS LATER IN
THE AFTERNOON, LED ABBODD TO BELIEVE THAT CHINESE
WANTED HIM TO RAISE IT WITH USLO.

3. COMMENT: DURING RECENT CHIEFS OF MISSION
CONFERENCE IN HONG KONG, AMBASSADOR WAS TOLD
BY SEVERAL US BUSINESSMEN THAT CHINESE HAD
MENTIONED CLAIMS/ASSETS PROBLEM TO THEM -- IN
TERMS SIMILAR TO WANG'S CONVERSATION WITH ABBODD.
ALSO, CHIAO PEI-HSIN, HEAD OF THE BANK OF CHINA,
RAISED ISSUE DURING AMBASSADOR'S CALL ON HIM
DECEMBER 30, 1977 (REPORTED PEKING 07).

4. THE FACT THAT CHINESE HAVE RAISED CLAIMS/ASSETS WITH
ABBOUD AND OTHERS DOES NOT NECESSARILY INDICATE THAT PEKING
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WISHES TO RESUME DIALOGUE NOW WITH USG ON THIS
ISSUE. WE NOTE, FOR EXAMPLE, THAT CHIAO PEI-HSIN
AND CCPIT VICE CHAIRMAN LI CHUAN RESPONDED TO
DAID ROCKEFELLER'S INQUIRY ON THIS ISSUE IN
ALMOST IDENTICAL TERMS A YEAR AGO (JANUARY 13, 1977).
PRINCIPAL DIFFERENCE WAS THAT ROCKEFELLER,
RATHER THAN CHINESE, RAISED THE ISSUE ON THAT
OCCASION. DEPARTMENT SUBSEQUENTLY TOOK UP
CLAIMS/ASSETS PROBLEM WITH PRCLO, AND EVENTUALLY
RECEIVED THE INFLEXIBLE RESPONSE CONTAINED
REFTEL. IT SEEMS MORE LIKELY THAT CHINESE WISH
TO STIMULATE IN A GENERAL WAY PRESSURE BY THE
AMERICAN BANKING COMMUNITY ON THE USG TO SETTLE
THE ISSUE -- ON TERMS FAVORABLE TO THE PRC.
IN ADDITION, WANG PROBABLY WANTED TO GIVE THE
BANKERS AN IMPRESSION OF "REASONABLENESS" ON THE
CHINESE SIDE TO COUNTER WHATEVER FIRST NATIONAL
BANK OF CHICAGO MIGHT BE HEARING FROM THE USG
ON THIS ISSUE. (IN THIS CONNECTION, ABBODD AND
HIS COLLEAGUES DID NOT SEEM UNDULY CONCERNED
ABOUT THE CLAIMS/ASSETS ISSUE AS A HINDRANCE
TO THEIR SHORT-TERM RELATIONSHIP WITH THE BOC

ALTHOUGH, LIKE OTHER US BANKERS, THEY WOULD LIKE TO SEE THE ISSUE SOLVED EVENTUALLY.)

5. AT THIS POINT WE SEE THREE GENERAL ALTERNATIVES ON THIS ISSUE: (1) DO NOTHING UNTIL CHINESE TAKE INITIATIVE TO RAISE IT WITH US AT AN OFFICIAL LEVEL, (2) RAISE ISSUE FORMALLY WITH FOREIGN MINISTRY AND/OR BANK OF CHINA, REFERRING SPECIFICALLY TO RECENT CONVERSATIONS BETWEEN CHINESE AND US BUSINESSMEN, OR (3) PURSUE ISSUE INFORMALLY WITH CHINESE AT A SUITABLE SOCIAL FUNCTION -- FOR EXAMPLE, WITH WANG YAO-TING.

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6. LACKING A FIRMER INDICATION OF CHINESE WILLINGNESS TO SETTLE, MAINFESTED BY SOME FLEXIBILITY ON DESIGNATED NATIONALS AND THIRD COUNTRY BANK ISSUE, WE BELIEVE BEST COURSE AT THIS POINT IS OPTION THREE.
WOODCOCK UNQUOTE CHRISTOPHER

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